

Message Text

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TO SECSTATE WASHDC IMMEDIATE 6418

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EXDIS

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TAGS: EFIN

SUBJ: TALK AT ODC ON JULY 29

FOR UNDERSECRETARY ROGERS FROM FRANK

1. BELOW IS A VERY ROUGHT DRAFT OF A TALK YOU MANY
WANT TO GIVE TO THE OVERSEAS DEVELOPMENT COUNCIL FOR
YOUR DINNER MEETING ON JULY 29.

2. BEGIN DRAFT TEXT.
THE NORTH-SOUTH DIALOGUE: WHERE NOW? WHERE NEXT?

3. THE GREAT OIL CRISIS OF THE FALL OF 1973 AND THE
WINTER OF 1974 HAS CHANGED FUNDAMENTALLY THE STRUCTURE
OF INTERNATIONAL RELATIONS BETWEEN DEVELOPED AND
DEVELOPING COUNTRIES. BEFORE THAT TIME, RELATIONS
BETWEEN DEVELOPED AND DEVELOPING COUNTRIES WERE BASED
TO A LARGE EXTENT ON A PATRON-DONOR RELATIONSHIP.
DEVELOPED COUNTRIES OFTEN VIEWED THEIR ECONOMIC RELA-
TIONS WITH DEVELOPING COUNTRIES AS BASED LARGELY
ON FOREIGN AID GIVING. WE OFTEN SAW LITTLE THAT THE
DEVELOPING COUNTRIES COULD DO FOR US BY WAY OF MATERIAL
BENEFITS.

4. THE OIL CRISIS CHANGED THESE PERCEPTIONS, BOTH
IN DEVELOPED AND DEVELOPING COUNTRIES. WE BECAME
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CONSCIOUS OF THE POTENTIAL OF THE DEVELOPING COUNTRIES

TO CAUSE US ECONOMIC HARM OR GOOD. THE NON-OIL DEVELOPING COUNTRIES TOOK COURAGE IN THE OIL PRODUCER ACTIONS FEELING THAT THEY COULD ACCOMPLISH MUCH THE SAME KIND OF RESULT BY EXERCISING THEIR POWER OVER NATURAL RESOURCES.

5. MUCH OF THE LDC HOPES TO EXERCISE COMMODITY POWER ARE EXAGGERATED. NONTHELESS IT HAS BECOME CLEAR THAT OUR INTERESTS AND THOSE OF THE DEVELOPING COUNTRIES ARE MORE ENTWINED THAN WE MAY HAVE REALIZED--THAT A NEW ERA OF GIVE AND TAKE, OF A SEARCH FOR MUTUAL BENEFIT IN SOLUTIONS TO COMMON PROBLEMS MAY BE IN ORDER. AS POTENTIAL TRADING PARTNERS, AS SUPPLIERS OF BASIC RAW MATERIALS, AS POTENTIAL FOOD PRODUCERS, AND AS INCREASINGLY ACTIVE ACTORS IN INTERNATIONAL INSTITUTIONS, SOME OF WHICH MATTER VERY MUCH TO US, WE WOULD HAVE TO TAKE OUR RELATIONS WITH THE DEVELOPING COUNTRIES MORE SERIOUSLY THAN WE EVER HAD BEFORE.

6. THE EFFORT TO BEGIN A DIALOGUE BETWEEN PRODUCERS AND CONSUMERS OF ENERGY FLOUNDERED IN APRIL OF 1975 BECAUSE OF THE DESIRE OF THE DEVELOPING COUNTRIES TO DISCUSS NOT ONLY ENERGY MATTERS, BUT ALSO THE PROBLEMS OF OTHER RAW MATERIALS, DEVELOPMENT ISSUES, AND PROBLEMS OF INTERNATIONAL FINANCE. THE UNITED STATES WAS RELUCTANT TO DISCUSS THESE ISSUES IN APRIL, BUT NEAR THE END OF MAY, UNITED STATES ATTITUDES BEGAN TO CHANGE. THIS CHANGE IN THE UNITED STATES POSITION CULMINATED IN THE ADDRESS BY SECRETARY KISSINGER IN SEPTEMBER 1975 TO THE SEVENTH SPECIAL SESSION OF THE UNITED NATIONS GENERAL ASSEMBLY. THIS SPEECH COVERED A WIDE RANGE OF DEVELOPMENT ISSUES AND ADVANCED A LARGE NUMBER OF PROPOSED NEW ACTIONS IN THE FIELD OF DEVELOPMENT COOPERATION. THIS SPEECH WAS VERY WELL RECEIVED AND RESULTED IN A FUNDAMENTAL CHANGE IN THE ATMOSPHERE OF NORTH-SOUTH RELATIONS. IT LED THE WAY TO A RESUMPTION OF THE PRODUCER-CONSUMER TALKS IN WHICH NOT ONLY ENERGY ISSUES WERE TO BE DISCUSSED, BUT ALSO RAW MATERIALS, DEVELOPMENT, AND FINANCE. A MINISTERIAL MEETING IN DECEMBER 1975 LAUNCHED THESE LIMITED OFFICIAL USE

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TALKS BY ESTABLISHING FOUR COMMISSIONS, ONE FOR EACH OF THESE TOPICS, KNOWN AS THE PARIS CONFERENCE ON INTERNATIONAL ECONOMIC COOPERATION.

7. THESE FOUR COMMISSIONS WERE TO MEET FOR A YEAR, WITH A MID-YEAR MEETING AT THE SENIOR OFFICIALS LEVEL, AND A FINAL MINISTERIAL AT THE END OF THE YEAR. IN MAY OF THIS YEAR, THE PARIS DIALOGUE WAS INTERRUPTED

BY THE FOURTH MINISTERIAL MEETING OF THE UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT. MUCH OF THE FIRST THREE MONTHS DISCUSSION IN CIEC BY THE DEVELOPING COUNTRIES--OR GROUPS OF 19 AS THEY ARE CALLED IN CIEC-- WAS POINTED TOWARD THIS UNCTAD CONFERENCE. FOR THEM, UNCTAD WAS THE CROSSROADS. IF PROGRESS IN UNCTAD WAS FACILITATED BY THE CIEC TALKS, THEY WOULD CONSIDER CIEC TO BE AN INITIAL SUCCESS AND WERE PREPARED TO RESUME THE CIEC DISCUSSIONS AND TO POINT TOWARD FURTHER RESULTS IN THE CIEC MINISTERIAL.

8. THE UNITED STATES AND OTHER DEVELOPED COUNTRIES SAW THE CIEC UNCTAD CONNECTION SOMEWHAT DIFFERENTLY. THE DEMANDS PUT FORWARD BY THE DEVELOPING COUNTRIES IN CIEC WERE NOT TO BE RATCHETED UP BY UNCTAD AND FURTHER RATCHETED IN CIEC. WE EMPHASIZED THE CONTINUITY OF THE CIEC DISCUSSIONS. THE FIRST SIX MONTHS OF CIEC WERE CHARACTERIZED AS THE ANALYTICAL PHASE IN WHICH PROBLEMS WERE IDENTIFIED AND THE SECOND HALF AS THE ACTION-ORIENTED PHASE IN WHICH SOLUTIONS TO THESE PROBLEMS WERE TO BE DISCUSSED. CIEC HAS ONLY 27 MEMBERS, 19 DEVELOPING COUNTRIES, INCLUDING (-----) OIL PRODUCERS AND A 8 REPRESENTATIVES OF DEVELOPED COUNTRIES, INCLUDING THE NINE OF THE EUROPEAN COMMUNITY WITH ONE REPRESENTATIVE. UNCTAD, HOWEVER, IS VIRTUALLY A GLOBAL INSTITUTION. SINCE MANY OF THE SAME ISSUES ARE DISCUSSED IN BOTH CIEC AND UNCTAD, THE TWO FORA SHOULD BE COMPLEMENTARY WITH EACH OTHER. THE RESULTS OF CIEC DISCUSSIONS CAN BE REFERRED TO GLOBAL INSTITUTIONS SUCH AS UNCTAD AS WELL AS OTHERS INCLUDING THE GATT, THE WORLD BANK AND THE INTERNATIONAL MONETARY FUND.

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9. THE RESULTS OF THE UNCTAD IV CONFERENCE IN MAY WERE MIXED. A NUMBER OF USEFUL RESULTS EMERGED, ESPECIALLY IN THE FIELD OF TECHNOLOGY BUT ALSO IN DEBT AND COMMODITIES. THERE WERE, HOWEVER, SOME DISAPPOINTMENTS, ON THE PART OF BOTH THE DEVELOPED AND THE DEVELOPED COUNTRIES. THE DEVELOPING COUNTRIES WOULD HAVE LIKED A COMMITMENT TO THE COMMON FUND IN PRINCIPLE. SOME, BUT NO MEANS ALL, DEVELOPING COUNTRIES WOULD HAVE PREFERRED TO SEE UNCTAD ENDORSE A DEBT CONFERENCE AND A GENERAL DEBT MORATORIUM FOR THE POOREST COUNTRIES AS THE MOST SERIOUSLY AFFECTED. THE UNITED STATES AND OTHER DEVELOPED COUNTRIES FELT THAT THE COMMODITIES RESOLUTION FAILED TO DEAL WITH THE IMPORTANT ISSUES OF INVESTMENT IN RAW MATERIALS AND SECURITY OF SUPPLY. NONETHELESS, DESPITE SOME

FRAYED NERVES CAUSED BY LAST-MINUTE, LATE-NIGHT
NEGOTIATIONS TO KEEP THE WHOLE UNCTAD CONFERENCE FROM
FALLING APART, THE RESULTS OF THIS CONFERENCE, WE
BELIEVE, REPRESENT A FORWARD STEP.

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ACTION SS-25

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FOR UNDERSECRETARY ROGERS FROM FRANK

10. THE UNCTAD CONFERENCE WAS FOLLOWED BY JUNE MEETINGS
OF THE CIEC COMMISSION AND MEETING OF THE SENIOR
OFFICIALS IN JULY. THE SENIOR OFFICIALS LEVEL MEETING
WENT REASONABLY WELL, ALTHOUGH AT ONE POINT IT SEEMED
AS IF THE MEETING MIGHT BE POLITICIZED AS THE SENIOR
OFFICIALS FROM THE DEVELOPING COUNTRIES WANTED TO GIVE
THE COMMISSIONS POLITICAL GUIDELINES FOR THEIR WORK
PROGRAMS. THE COMMISSION MEETINGS THAT FOLLOWED THE
OFFICIALS LEVEL MEETING, HOWEVER, BROKE DOWN WHEN IT
BECAME IMPOSSIBLE TO AGREE ON WORK PROGRAMS FOR THE FOUR
COMMISSIONS. THE DEVELOPING COUNTRIES WANTED TO
PHRASE THE WORK PROGRAMS IN WAYS THAT WOULD, IN OUR
MIND, PREJUDGE THE RESULTS OF THE COMMISSIONS' WORK.
IN PARTICULAR, WE HAD DIFFICULTIES WITH THE WORDING
IN REGARD TO INDEXATION AND DEBT RELIEF.

11. DOES THIS BREAKDOWN IN THE PARIS DISCUSSIONS
SIGNAL THE BEGINNING OF THE END OF AN ERA
OF CONSTRUCTIVE DIALOGUE THAT BEGAN LESS THAN 12
MONTHS AGO AT THE SEVENTH SPECIAL SESSION OF THE UN
GENERAL ASSEMBLY? OR IS IT A TEMPORARY HIATUS IN A

LONGER-TERM CONTINUING PROCESS OF DIALOGUES?

12. I BELIEVE IT IS A TEMPORARY HIATUS. THE FUNDAMENTAL
NEED STILL REMAINS TO PURSUE SOLUTIONS OF MUTUAL
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BENEFIT TO PROBLEMS THAT BESET US. THIS DIALOGUE
WILL TAKE PLACE IN VARIETY OF FORA, INCLUDING POSSIBLY
NOT ONLY CIEC BUT ALSO THE MEETINGS UNDER UNCTAD
SPONSERSHIP CALLED FOR BY THE UNCTAD COMMODITIES RESO-
LUTION.

13. THE CIEC MEETINGS THEMSELVES MAY NOT BE RESUMED
FOR SOME TIME. THE OPEC COUNTRIES ARE BEGINNING TO
WONDER WHETHER THEY CAN REALLY BENEFIT FROM THESE
MEETINGS OR WHETHER THEY ARE BEING USED TO LIMIT THEIR
ABILITY TO RAISE OIL PRICES BY FOCUSING ATTENTION
ON THE DEVELOPMENTAL IMPACT OF HIGH OIL PRICES.
MANY OF THE DEVELOPING COUNTRIES THAT ARE NOT MEMBERS
TO OPEC, SUCH AS MEXICO AND BRAZIL, DO NOT SEE THAT
THEY HAVE ALL THAT MUCH TO GAIN IN THE CIEC DISCUSSIONS.
THESE DISCUSSIONS ARE UNLIKELY TO LEAD TO INDEXATION AND
THEY ARE NOT EVEN SURE THAT INDEXATION WOULD HELP THEM
GIVEN THE MANY COMMODITIES THEY IMPORT. COMMODITIES ARE
MORE LIKELY TO BE DISCUSSED IN A MEANINGFUL WAY IN THE
UNCTAD CONTEXT ANYWAY. THEY HAVE NO INTEREST IN THE
DEBT DISCUSSION AT CIEC. INDIA AND PAKISTAN, HOWEVER,
SEE SOME POSSIBILITY FOR ACTION ON DEBT AND ARE,
THEREFORE, LIKELY TO BE MORE INTERESTED IN A CONTINUATION
OF CIEC.

14. FROM THE DEVELOPED COUNTRY POINT OF VIEW, WE DO NOT
WANT TO BE SEEN PUSHING FOR A RESUMPTION OF CIEC, WHICH
WAS A RESPONSE TO DEVELOPING COUNTRY DEMANDS THAT PRODUCER-
CONSUMER TALKS ON ENERGY ENCOMPASS OTHER RAW MATERIALS
AND DEVELOPMENT ISSUES. WE REMAIN OPEN, HOWEVER,
TO A RESUMPTION OF THE DISCUSSIONS IF THE DEVELOPING
COUNTRIES ARE WILLING TO RESUME THESE DISCUSSIONS
WITHOUT PREJUDICE.

15. I SUSPECT THAT SOONER OR LATER MOST CIEC
PARTICIPANTS MAY FIND IT MORE USEFUL TO RESUME THE
CIEC DISCUSSIONS THAN TO LET THEM LAPSE TOTALLY.
OPEC MAY PREFER THE TALKS TO A RETURN TO THE CON-
FRONTATIONAL ATMOSPHERE THAT PRECEDED THE PARIS CON-
FERENCE. OIL CONSUMING COUNTRIES MAY SEE POTENTIAL
IN CIEC FOR COOPERATION IN DEVELOPING ALTERNATIVE
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ENERGY SUPPLIES AND THE POOREST COUNTRIES MAY SEE A HOPE FOR ACTION ON DEBT OR OTHER FORMS OF RESOURCE TRANSFER. BUT AT THE MOMENT, I BELIEVE, POLITICAL ATTENTION IS MORE LIKELY TO FOCUS ON THE UNCTAD MEETINGS ON THE COMMON FUND AND THE 18 INDIVIDUAL COMMODITIES.

THE UNITED STATES HAD ENTERED A STAGE OF INTENSE ANALYSIS OF ISSUES LIKELY TO BE RAISED BY THE COMMON FUND AND IN THE MEETINGS ON THE INDIVIDUAL COMMODITIES. WE ARE CONSULTING FAIRLY REGULARLY WITH OTHER DEVELOPED COUNTRIES, BOTH BILATERALLY AND IN THE OECD. WE EXPECT TO PARTICIPATE IN THESE UNCTAD FOLLOW-UP MEETINGS AS CONSTRUCTIVELY AS POSSIBLE. BUT CLEARLY WE HAVE SOME PROBLEMS WITH THE COMMON FUND, AT LEAST AS PROPOSED BY THE GROUP OF 77. END TEXT.

14. (BILL, THIS KIND OF TAILS OFF, BUT I RAN OUT OF TIME. YOU MAY WANT TO ADD SOME KIND OF GENERAL CONCLUSION AS WELL AS DISCUSS THE UNCTAD FOLLOW-UP IN MORE DETAIL). JOVA

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